

MEMORANDUM FOR SECRETARIES OF THE MILITARY DEPARTMENTS  
CHAIRMAN, JOINT CHIEFS OF STAFF  
UNDER SECRETARY OF DEFENSE (COMPTROLLER)  
UNDER SECRETARY OF DEFENSE (PERSONNEL & READINESS)  
ASSISTANT SECRETARY OF DEFENSE (COMMAND, CONTROL,  
COMMUNICATIONS, AND INTELLIGENCE)  
GENERAL COUNSEL  
INSPECTOR GENERAL  
DIRECTOR OF OPERATIONAL TEST AND EVALUATION  
DIRECTORS OF THE DEFENSE AGENCIES

SUBJECT: Reengineering the Acquisition Oversight and Review Process

In *Acquisition Reform: A Mandate for Change*, the Secretary of Defense concluded, “[DoD] must reduce the cost of the acquisition process by the elimination of activities that, although being performed by many dedicated and hard working personnel, are not necessary or cost effective in today’s environment.” We must move away from a pattern of hierarchical decision making to a process where decisions are made across organizational structures by integrated product teams. We must shift from an environment of regulation and enforcement to one of incentivized performance.

As one means of accomplishing this goal, the Secretary chartered a Process Action Team to “...develop...a comprehensive plan to reengineer the oversight and review process for systems acquisition, in both the Components and OSD, to make it more effective and efficient, while maintaining an appropriate level of oversight.” In its final report, “Reengineering the Acquisition Oversight and Review Process,” the Process Action Team provided a roadmap for actions that would bring about the change needed in our oversight and review process while maintaining the DoD acquisition system’s guiding principles of providing the warfighter what is needed, when it is needed; matching managerial authority with responsibility; promoting flexibility and encouraging innovation based on mutual trust, risk management, and program performance; fostering constant teamwork; actively promoting program stability; balancing the value of oversight and review with its costs; and preserving the public trust.

The Process Action Team accomplished the challenging and complex task of establishing a specific plan to reengineer the systems acquisition oversight and review process. The team presented the senior leadership of the Department a far-reaching and thought-provoking plan. The recommendations were thoroughly reviewed throughout the Department. I am pleased to accept the Team’s report, subject to the clarifications in this memorandum. I commend the members of the Process Action Team, those senior leaders who addressed the Team, and those who assisted in the review process, for their effort.

## ACQUISITION PROCESS AND DOCUMENTATION

Although the following direction most directly applies to acquisition category (ACAT) I programs, the concepts are equally applicable to programs in all acquisition categories. These concepts shall be included in the next update to DoDI 5000.2.

**Integrated Product Teams (IPTs):** I direct an immediate and fundamental change in the role of the OSD and Component staff organizations currently performing oversight and review of acquisition programs. In the future, these staff organizations shall participate as members of an integrated product team or teams, which are committed to program success. Rather than checking the work of the program office beginning six months prior to a milestone decision point, as is often the case today, the OSD and Component staffs shall participate early and on an on-going basis with the program office teams, resolving issues as they arise, rather than during the final decision review. Further, Program Managers (PMs) shall utilize the experience of the OSD and Component staff organizations to develop programs with the highest opportunity for success. Note that the IPTs discussed above are in addition to Program Manager/contractor IPTs established to execute programs.

For ACAT ID programs the number and level of IPTs shall be determined individually for each program by an Overarching IPT, led by the appropriate former DAB Committee Chair. Application of this direction to ACAT ID programs is at Tab A. The Director, Acquisition Program Integration is responsible for providing further implementation of this direction, as required, within 30 days.

**Milestones and Decision Authorities:** The number of milestone reviews and the milestone decision authority shall be determined by the USD(A&T) for each individual program at program initiation, based upon program risk, and after consideration of the PM's recommendations. These determinations shall be examined at each milestone, in light of then-current conditions. The acquisition process model shall retain the current milestones with the following exceptions. There shall be no Milestone IV, Major Modification Approval. Modifications and upgrades shall be initiated at the milestone appropriate to the work to be completed. Also, there shall normally be no more than one production milestone review (i.e., for low-rate initial production or full-rate production) at the DAB level. Application of this direction to ACAT ID programs is at Tab A. Milestone decision authority shall remain within the acquisition community for all milestones. The Director, Acquisition Program Integration is responsible for providing further implementation of this direction, as required, within 30 days.

**Documentation:** The documents applicable to a particular program at a specific milestone shall be determined individually for each program through the IPT process and approved by the Milestone Decision Authority (MDA). Required documents shall be determined using the concept of "tailoring in" documents (i.e., there is no set minimum number of documents beyond those statutorily required). Documents that are determined to be applicable shall be incorporated into a single document, similar to the Single Acquisition Management Plan (SAMP) used for the Space-Based Infrared System program, to the maximum extent practicable. Formats for documents shall be models, except for those formats established in statute and the Acquisition Program Baseline format. The list of documents that may be applied is at Tab B. Exit criteria shall be retained in their present form and usage. Application of this direction to ACAT ID programs is at Tab A. The Director, Acquisition Program

Integration is responsible for providing further implementation of this direction, as required, within 30 days.

With the exception of program plans requiring approval at the OSD level by statute, program plans are PM and IPT working tools and shall not be required as reports to the OSD or Component Headquarters staff organizations.

The Component Acquisition Executives (CAEs) shall review the documentation required for existing acquisition programs by their Component (including headquarters and subordinate organizations) and shall eliminate all such documents, unless the document adds value by supporting a Service-unique need and the information to support that need cannot be obtained by tailoring existing documents. The CAEs shall report the results of their review to me within 90 days.

The Director, Acquisition Program Integration shall direct a comprehensive programmatic and legal review of all statutory documentation, reports, and certifications and shall recommend appropriate changes, including elimination, for submission to Congress. The goal of the review shall be to further reduce required documentation to only those documents necessary to manage and oversee programs. The Director, Acquisition Program Integration shall report the results of his review to me within 90 days.

The Principal Deputy Under Secretary of Defense (Acquisition & Technology) shall charter a group as part of the Automated Acquisition Information effort to develop near real time flow of appropriate information to officials requiring program data, including the Program Executive Officer (PEO), CAE, and Defense Acquisition Executive (DAE). The goal of this group shall be to reengineer the entire acquisition management information and reporting system so that the PM is not creating data for reporting purposes only, but rather that the PM is reporting management data that already exists. Reports should be automatically generated from the data collected by the PM.

**Contracts:** Program Offices shall rely on the Defense Contract Management Command (DCMC) for routine information. Plant representatives shall independently assess contractor performance, but these independent assessments shall be provided to the PM for comment in addition to the Commander, DCMC. While the PM may comment on the independent assessment, the PM cannot block the submission of the independent assessments to the Commander, DCMC.

Effective for requests for proposals released on or after July 1, 1995, past performance shall be considered a factor in all source selections. The particular weight given to past performance shall be determined in each case by the source selection authority. The Past Performance Council shall be responsible for recommending policies to ensure the appropriate weighting of past performance as a selection criterion prior to July 1, 1995.

Once a contractor has demonstrated a system of stable, compliant processes leading to performance as contracted, the Government shall rely almost exclusively on contractor self-governance, rather than Government inspectors, auditors, and compliance monitors, to ensure that these processes continue to result in a system producing goods and services which meet contract terms and conditions.

**Automated Information Systems:** The Automated Information System (AIS) process should be integrated into the systems acquisition process, to the maximum extent practicable, while maintaining Assistant Secretary of Defense (C3I) as a milestone decision authority for AISs. The Director, Acquisition Program Integration shall work with the Deputy Assistant Secretary of Defense (C3I Acquisition) to determine how to accomplish this integration and shall report to both the Assistant Secretary of Defense (C3I) and me about this matter within 90 days.

## ACQUISITION WORKFORCE AND ORGANIZATION

**Program Managers:** The Acquisition Management Functional Board (AMFB) shall examine increasing the experience requirements for ACAT I PMs and Deputy PMs (DPMs) to at least eight years of acquisition experience with at least four years in a program office, including experience as a PM or DPM (or equivalent) of a non-major program and shall report their findings to me by June 30, 1995. If the AMFB determines that it is impractical to increase experience requirements, it shall explain why it is impractical, given typical preferred career progressions, and provide an alternative or explain why existing requirements are satisfactory.

**OSD and Component Staff:** The Director, Acquisition Education, Training, and Career Development shall structure and conduct a demonstration or "proof of concept" program for flexible rotational assignments between PM/PEO organizations and OSD/Component staff organizations. The demonstration shall begin no later than October 1, 1995. The Director shall subsequently make a recommendation, by December 1, 1996, on how to implement a rotational program beyond the demonstration, including the percentage of rotational assignments. Implementation of the rotational program shall begin not later than January 1, 1997.

**Acquisition Executives:** Each Acquisition Executive shall determine if, in order to preserve continuity, a career civilian principal deputy position should be established to be filled by a senior executive with extensive acquisition experience, including service as a PEO or ACAT I PM, in lieu of a political appointee or a military officer. The Acquisition Executives shall report their decision to the USD(A&T) within 90 days. The Deputy Assistant Secretary of Defense (C3I Acquisition), the Director of Strategic and Tactical Systems, and an equivalent position in the Office of the Deputy Under Secretary of Defense (Space) shall provide this continuity for the Under Secretary of Defense (Acquisition & Technology).

The President, Defense Acquisition University (DAU) shall develop within 90 days and offer an orientation course for newly appointed senior acquisition executives. Newly appointed acquisition executives are encouraged to attend such a course.

**Joint Program Management:** The management and oversight of joint programs shall remain as practiced today. However, the Director, Acquisition Program Integration shall establish a team to consider the problems of joint program management and develop solutions. The team shall be established not later than August 1, 1995, and shall provide its recommendations to me within 120 days of being established.

**PM-PEO-CAE Management:** The Director, Acquisition Program Integration, together with the CAEs, shall establish a team to assess the advantages and disadvantages of aligning all

acquisition programs, regardless of ACAT, into the PM-PEO-CAE management chain, wherein the PEO is a full-time acquisition manager who reports directly to and receives guidance directly from the CAE. The team shall be established no later than July 1, 1995, and shall provide recommendations to me within 90 days of being established.

**Requirements Summits:** The Secretaries of the Military Departments and Directors of the Defense Agencies may, if they desire, institutionalize a formal developmental requirements “Summit” process for appropriate programs. The purpose of the summit is to allow consideration of opportunities for cost, schedule, and performance trade-offs. If the senior leadership agrees with proposed trades, the established requirements for the program would be formally adjusted.

**Audits:** DoD Inspector General (IG) and Component audits and inspections shall be scheduled well in advance, to the maximum extent practicable, and in coordination with the Under Secretary of Defense (Acquisition & Technology) and the CAEs. Cyclic audits and inspections of any one program shall generally be done no more than biennially, except when necessary to evaluate allegations of fraud, waste, and abuse, in order to minimize turbulence in acquisition programs. The DoD IG, in coordination with Component inspection and audit organizations, shall study the feasibility of consolidating all acquisition management audits and inspections at the OSD level. The DoD IG shall provide the results of that study to me within 180 days.

The DoD IG and heads of Component inspection and audit organizations should enhance the qualifications of their acquisition management auditors and inspectors by requiring that the auditors and inspectors have DAWIA certification appropriate to grade and functional area, with inspection and audit team leaders having level III certification within two years. The President, Defense Acquisition University shall provide appropriate course quotas for auditors and inspectors. Failure to have appropriate DAWIA certification shall not be used as a basis to restrict or deny DoDIG access to records.

## IMPLEMENTATION

**Stretch Goals:** Measuring the attainment of changes in the oversight and review process is critical to achieving actual reengineering. The key to metrics is to establish the appropriate criteria to be measured and to establish the appropriate direction that change should take. So-called “stretch goals” provide both the criteria and the direction while challenging the acquisition community to make meaningful changes. I direct the Deputy Under Secretary of Defense (Acquisition Reform), along with the Deputy Under Secretary of Defense (Space), the Director, Acquisition Program Integration, the Director, Strategic and Tactical Systems, and the Deputy Assistant Secretary of Defense (C3I Acquisition) to meet within 90 days to define and establish appropriate stretch goals. The stretch goals established by the Process Action Team should be taken into account. Once this group has determined appropriate stretch goals, the goals shall be briefed to me, my Principal Deputy, and the CAEs, in order to obtain corporate commitment. Once stretch goals have been established, the Acquisition Reform metrics team shall implement a process for measuring progress toward the goals.

**Education and Training:** I direct the President, Defense Acquisition University to develop and implement an education program, including updates to current DAU courses, to prepare current and future PEOs, program managers, DAU faculty, and OSD and Component staff

engaged in oversight and review of the changes discussed above. Appropriate course quotas shall be provided to OSD and each Component to accomplish this education program.

**Implementation Team:** I direct the Deputy Under Secretary of Defense (Acquisition Reform) to immediately establish an implementation team led by a member of that office and composed of one representative each from the Military Departments, DLA, USSOCOM, and the offices of the Deputy Under Secretary of Defense (Space), the Director, Acquisition Program Integration, the Director, Strategic and Tactical Systems, and the Deputy Assistant Secretary of Defense (C3I Acquisition). The purpose of this implementation team is to facilitate the implementation of the recommendations and ensure that progress is being made. The team leader shall report regularly to the Deputy Under Secretary (Acquisition Reform) who shall report to me biweekly on implementation progress.

**Customer Surveys:** The Director, Acquisition Program Integration shall commission periodic customer satisfaction surveys involving users, PMs, PEOs, and OSD and Component staffs to assess the reengineered process and to find improvement opportunities that emerge as the oversight and review process evolves over time.

Reengineering our oversight and review process and practices is one of the most difficult issues we will face in acquisition reform. It means we will have to create a climate of reasoned, well-informed risk-management by our PMs and PEOs. Your leadership and good judgment will be critical to successful implementation of this reform. I encourage you and your leadership teams to be active participants in establishing the environment essential for implementing this change.

Attachments  
as stated

cc:  
CINC, USSOCOM  
ASD(Economic Security)  
DUSD(Space)  
D, API  
D, DP  
D, S&TS  
D, TSE&E  
DASD(C3I Acquisition)

**TAB A**

**OVERSIGHT AND REVIEW  
OF  
ACAT ID PROGRAMS**

## OVERSIGHT AND REVIEW OF ACQUISITION CATEGORY (ACAT) ID PROGRAMS

In the future, OSD and Component staff organizations currently performing oversight and review of ACAT ID programs shall participate as members of integrated product teams (IPTs) to build successful, balanced programs; facilitate the identification and resolution of issues early in the process; and more efficiently prepare for review of programs. These teams shall operate under the following principles:

- Open discussions with no secrets,
- Qualified, empowered team members,
- Consistent, success-oriented, proactive participation,
- Continuous, “up-the-line” communications,
- Reasoned disagreement, and
- Issues raised and resolved early.

### NEW PROGRAMS

A broad, inclusive team, the Overarching IPT, shall be formed. The Overarching IPT shall be led by the appropriate former Defense Acquisition Board (DAB) Committee Chair, and shall be composed of all Component and OSD staff principals, or their representatives, involved in oversight and review of a particular ACAT ID program, the Program Executive Officer (PEO), and Program Manager (PM). The Overarching IPT shall structure and tailor functionally oriented IPTs to support the PM, as needed, and in the development of acquisition/contract strategies, cost estimates, evaluation of alternatives, logistics management, etc. The Overarching IPT shall meet immediately upon learning that a program is intended to be initiated to determine the extent of IPT support needed for the potential program, who should participate on the IPTs, the appropriate milestone for program initiation, and the documentation needed for the program initiation review. The functional IPTs shall meet as required after this determination to help the PM to plan program structure and documentation and to resolve issues. Those issues which cannot be resolved at the lowest level shall immediately be raised to a level where resolution can be achieved.

After submission of final documentation for a review, the Overarching IPT, together with the Component Acquisition Executive (CAE), shall hold a formal meeting, chaired by the Overarching IPT Leader, to determine if any issues remain that have not been resolved earlier in the process, to assess the PM's recommendations for future milestone reviews and documentation, and to determine if the program is ready to go forward for a decision. The expectation is that the IPT Leader and CAE will agree on whether to go forward; however, in the case of a disagreement, both positions will go to the USD(A&T) to decide whether to hold the DAB. The final IPT meeting will be followed by a DAB Readiness Meeting (DRM) to pre-brief the USD(A&T) prior to a DAB. In some cases, the DRM will suffice, and an Acquisition Decision Memorandum will be coordinated without holding a DAB meeting.

Through the use of IPTs, the Overarching IPT Leader will be able to provide an independent assessment to the USD(A&T) at major program reviews and/or major decision points. There should be no surprises because all team members should have been



addressing the issues throughout the program phase, and should be knowledgeable of the information needed for a program decision.

### EXISTING PROGRAMS

In order to move from the current process to the future process, I direct that all ACAT ID programs be “rebaselined” by the Overarching IPT Leader and the CAE. This rebaselining shall recommend the IPT approach to be taken, the next and future review points and the appropriate level of decision authority for those reviews, and the documents needed for the next review. Within 30 days, each CAE with ACAT ID programs shall determine the order among those programs for rebaselining. The Overarching IPT Leader, working through the overarching IPT, shall begin the rebaselining in the order provided by the CAEs. Rebaselining shall be completed within 180 days.

DAB Committees are replaced by Overarching IPTs as described above as of the date of this memorandum. All new and rebaselined programs shall operate in accordance with the procedures for new programs discussed above. Programs for which rebaselining does not make sense shall use the IPT process to the maximum extent practicable.

**TAB B**

**DOCUMENTATION  
FOR  
REVIEW  
OF  
ACAT I PROGRAMS**

## **DOCUMENTATION FOR REVIEW OF ACQUISITION CATEGORY (ACAT) I PROGRAMS**

The documents applicable to an individual ACAT I program at each particular review point shall be determined by the Milestone Decision Authority through the IPT process. Documentation shall be limited to the minimum necessary for the decision. Documents shall be "tailored-in," i.e., there is no set minimum number of documents (beyond those statutorily required). Except for those formats required by statute and the format for the Acquisition Program Baseline, formats in DoD 5000.2-M are models only. To the maximum extent practicable, information should be provided in a single document.

### **TO BE PROVIDED BY THE PM/COMPONENT**

#### **STATUTORY:**

Acquisition Program Baseline (APB)	10 U.S.C. 2435
Test and Evaluation Master Plan (TEMP)	10 U.S.C. 2399
Live Fire Test and Evaluation Waiver Certification	10 U.S.C. 2366
Operational Test and Evaluation Report	10 U.S.C. 139
Low-Rate Initial Production Report for Ships and Satellites	10 U.S.C. 2400
Environmental Analysis	42 U.S.C. 4321-4347

#### **REGULATORY:**

Mission Needs Statement (MNS)  
Operational Requirements Document (ORD)  
System Threat Analysis Report (STAR)  
Cost and Operational Effectiveness Analysis (COEA)  
Integrated Program Summary (to include system security and manpower estimate<sup>1</sup>)  
Program Structure Chart  
Acquisition Strategy Report (ASR)<sup>2</sup>  
Program Office Estimate (POE)  
Cost Analysis Requirements Document (CARD)<sup>3</sup>  
Component Cost Analysis (CCA)<sup>4</sup>  
Test Results (early operational assessment, development test and evaluation, etc.)  
Exit Criteria

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<sup>1</sup> The manpower estimate is a statutory requirement in 10 U.S.C. 2434.

<sup>2</sup> Consideration of the national technology and industrial base in development of acquisition plans is a statutory requirement in 10 U.S.C. 2440.

<sup>3</sup> The CARD is required whenever an ICE is done. However, the CARD shall be flexible, tailored, and make reference to information available in other documents available to the cost estimators rather than repeating information.

<sup>4</sup> Component Acquisition Executives are to determine the need to retain this document by April 14, 1995.

TO BE PROVIDED BY OSD STAFF

**STATUTORY:**

Cooperative Opportunities Document (COD)

10 U.S.C. 2350a

Independent Cost Estimate (ICE)

10 U.S.C. 2434

Live Fire Test and Evaluation Report

10 U.S.C. 2366

Beyond Low-Rate Initial Production Report

10 U.S.C. 2399

**REGULATORY:**

Staff Assessments<sup>5</sup>

Overarching IPT Leader's Report

Acquisition Decision Memorandum

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<sup>5</sup> Staff assessments include integrated logistics support, producibility and industrial base, logistics and support, technical maturity and performance, and Joint Staff assessment.